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CENTRAL INTELLIGENCE AGENCY

REPORT

INFORMATION REPORT

CD NO.

COUNTRY East Germany

DATE DISTR. November 1954

SUBJECT 1. Production of Funkwerk Zittau
2. Finance Plans of Funkwerk Zittau

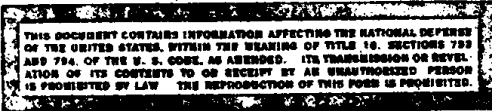
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INFO.SUPPLEMENT TO
REPORT NO.

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1. The allocations of materials for Funkwerk Zittau for the first quarter of 1954 amounted about 60 percent, and for the second quarter of the year to about 40 percent of the quantities which had been requested and had already been included in the planning of the enterprise. This reduction affected primarily round steel (free-cutting steel), deep-drawing sheets and shaped aluminum castings. The serious shortage of material resulted in a decrease of production. In January and February 1954, only 50 percent of the production quota could be fulfilled. Funkwerk Zittau has the advantage of being well supplied with coal and power.
2. In a letter, dated February 1954, the Procurement Department of the Ministry of Interior asked Funkwerk Zittau whether records or models of the ground-to-air communication units, which were to have been built for a reparation order about two years ago, were still available at the plant. This project, a Soviet order, had been cancelled and records or models of ground-to-air units were no longer kept at Funkwerk Zittau.
3. Work orders from the East German Government and export orders received by March 1954 included:
 - a. In 1953, twenty-five (25) communication training sets valued at about 150,000 eastmarks had been ordered by the Procurement Department of the Ministry of Interior.
 - b. Single parts for telephone installations, especially lamp strips, strips of keys and strips of jacks for an amount of about 80,000 eastmarks for export deliveries to China were ordered by Fernmeldewerk Arnstadt in January 1954.
 - c. For export deliveries to China, Czechoslovakia and Rumania the plant was ordered to produce chemical measuring equipment for a total amount of 60,000 eastmarks. The work order was prepared in January and February 1954. The distribution of the products was not yet decided.

In addition to the items listed above, the plant was primarily involved in the production of record players, tone arms and instruction material. It was not yet known whether the production of Lilliput type coupling radio sets and other

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- equipment for the KVP should be resumed at the plant. 25X1
4. The budget of the plant for the 1954 production amounted to 10,800,000 eastmarks which did not include materials and machinery. 25X1
5. In early February 1954, during the Berlin Conference, Funkwerk Leipzig received a government order from the Procurement Department of the Ministry of the Interior for the production of voice radio sets for the KVP. No information was available on the type and quantity of the equipment, but it was learned that this order, which was given high priority, was to be completed by late April 1954. Source believed that this was the first Government order for KVP equipment to be received in 1954 and the first one to come directly from the former Bureau fuer Wirtschaftsfragen (Office for Economic Affairs). 25X1
6. On 1 January 1954, Naether (fnu) became cadre chief of the Hauptverwaltung Radio-Funk-Telephonie (HV RFT) and Zimmermann (fnu) became departmental chief. In December 1953, Adolf Hagemann, chief of the HV visited China, [redacted] Hagemann's replacement [redacted] position was held by Gloess (fnu) 25X1
- former state secretary in the Ministry for General Machine Construction, who in turn, was released without notice after a plant manager's meeting at Funkwerk Leipzig on 24 February. Because of anti-communistic tendencies shown on 17 June 1953, action was taken to exclude Gloess from the party. On 25 February 1954, Scheffler (fnu) became the deputy chief of the HV. Albrecht was expected back in the office by 16 March when Scheffler was to return to his post as technical manager. The plant party functionary, the SED Kreisleitung in Zittau, and the HV RFT cadre management decided to replace the key personnel of Funkwerk Zittau, because only two of the eight leading persons were SED members.
7. In late January 1954, the VEB Stern Radio in Stassfurt asked all other radio plants if they had any requirements for mechanics or frequency mechanics, because a reduction of types to be produced in 1954 ordered by the Ministry had resulted in surplus of skilled labor.
8. The 1954 production quota of Funkwerk Zittau for the government and export included about 70 percent electroacoustic equipment, about 25 percent instruction equipment and about 5 percent DF units. On 11 March 1954, Funkwerk Zittau received an urgent work order for 138 DF units with rotating loop antennas, including 130 medium wave DF units for the USSR, and 52 medium to high frequency DF sets for German requirements. The production was to be started immediately, and the products are to be delivered between mid-May and 5 December with priority to be given to the order for the USSR.
9. At the plant managers' meeting in Leipzig on 24 February 1954, all plant directors were ordered to submit, by 5 March 1954, a new finance plan to the HV RFT of the Ministry for Machine Construction, because the Ministry of Finance had not approved the overall financial planning of the HV RFT because it did not guarantee the profitable operation of the individual plants. A finance conference at the HV RFT on 10, 11 and 12 March was attended among others Herr Franke (fnu) and Herr Gieb (fnu) from the Ministry of Finance; and by Herr Haust (fnu) and Herr Weiss representing the HV RFT. After a three-hour conference, the new finance plan of Funkwerk Zittau was rejected, because, instead of the 1,200,000 eastmark profit requested by the Ministry of Finance, it showed a deficit of 800,000 eastmarks. The financial plans of the Stern Radio firm in Rochlitz and the Stern Radio firm in Stassfurt, which were also discussed on the same day, were rejected by the representatives of the Ministry of Finance for the same reason. The Ministry demanded a profit of 750,000 eastmarks from Stern Radio Rochlitz and a profit of 2,000,000 eastmarks from Stern Radio Stassfurt. The new financial plans were scheduled to be submitted to the HV RFT by 16 March 1954.

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